

Stephen Spargo

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1 Q. Do you recall -- do you recall  
2 anything more about the conversation?  
3 A. Not really.  
4 Q. Was anybody else present?  
5 A. No.  
6 Q. Do you recall anything, ever  
7 learning anything about the outcome of any  
8 conversation Mr. McConnell might have had with  
9 Ms. Wynstra?  
10 A. Again, through previous  
11 depositions, I believe Ms. Wynstra was going to  
12 write a legal opinion that said it was her  
13 opinion that we had access to the funds.  
14 Q. Do you recall Mr. McConnell ever  
15 telling you that while you were at AHERF, or  
16 did you only learn that subsequently, to your  
17 employment there?  
18 A. Subsequently.  
19 Q. So you never heard back from  
20 Mr. McConnell while you were at AHERF about any  
21 outcome from Nancy Wynstra, conversation that  
22 he might have had?  
23 A. I did not.  
24 Q. Do you remember anything more about  
25 the conversation with Mr. McConnell than that

1 four out of five circumstances securities and  
2 stock, does it give you any, looking back on  
3 it, concern about the classifications that were  
4 originally made with respect to the growth in  
5 the Lockhart trusts?  
6 MR. RYAN: Objection.  
7 A. It does. It does. Although, what  
8 it really tells me is that we should have  
9 pushed legal and Mellon a little harder to go  
10 to orphan's court, or whatever the proper  
11 procedure is go convince some unbiased party  
12 that the intent of the endowment had been  
13 satisfied all along. I was always informed  
14 that that was an option.  
15 Q. In other words, looking back on it,  
16 further efforts might have been made?  
17 A. I would hope, at least considered.  
18 Because we would have pushed them. Perhaps  
19 Mr. Abdelhak wouldn't have been accused of  
20 raiding the endowments.  
21 Q. Do you recall having any  
22 disagreements with treasury about the  
23 classifications of the growth of the trusts  
24 with anyone?  
25 A. The treasury?

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1 he was going to take the issue up with  
2 Ms. Wynstra?  
3 A. No. Other than he's very  
4 protective of Mr. Martin, so I believe I was  
5 disappointed with Mike's efforts. As well as  
6 his staff, in soliciting clarification from  
7 Mellon Bank. And then likewise disappointed in  
8 Mr. Kennedy's efforts in that regard.  
9 So Mr. McConnell's response to take  
10 it up with Ms. Wynstra, although I learned  
11 about it, the outcome later was consistent. He  
12 would have protected Mike and shifted  
13 responsibility to legal.  
14 Q. Do you recall any response to  
15 Mr. McConnell's statements that you made?  
16 A. No.  
17 Q. As you sit here today, and I know  
18 it's several years after the fact, and you saw  
19 documents today that showed that -- or  
20 purported to show that certain dividend or  
21 interest income may have been paid out to AHERF  
22 on an as-you-go basis, at least by 1989, and  
23 that the original trust donations, at least as  
24 the memo reflects them, one of the memos  
25 reflects them, were in, in fact, largely, in

1 Q. With anyone at treasury?  
2 A. No. I don't even know if they had  
3 an opinion on how they should be classified.  
4 Q. Upon receipt of the letter from Ms.  
5 Robinson marked as Exhibit 20, do you recall  
6 anyone ever discussing or you ever considering  
7 that anyone ought to call or inform Coopers &  
8 Lybrand of the receipt of the memo?  
9 A. No.  
10 Q. Do you know whether they ever got a  
11 copy --  
12 A. I don't.  
13 Q. -- as you sit here today?  
14 A. I do not know.  
15 Q. And the reason you didn't -- you  
16 don't remember that becoming a topic of your  
17 consideration or conversation is why?  
18 A. In my mind this was not done. We  
19 weren't done. This is just, you know, we still  
20 had a hill to climb to get to where we needed  
21 to get to, and this, what we thought would be  
22 helpful, wasn't helpful.  
23 Q. This was one person's statement,  
24 and was not, in your view, the end of the  
25 inquiry?

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1 A. Yeah.  
 2 MR. RYAN: Objection.  
 3 A. Yeah. Exactly. I wondered  
 4 oftentimes the relationship we had with Mellon  
 5 Bank in various other capacities, which we're  
 6 all well aware of in terms of loans, authorized  
 7 by Mr. Kowitt and others, why we didn't go sit  
 8 down with Mellon, use the clout that we had and  
 9 say, look, we want some help, help us here.  
 10 Help us make an interpretation. Help us  
 11 understand what the restrictions are, what  
 12 we're trying to accomplish with these funds  
 13 that were donated to support that hospital.  
 14 Q. Or at least give a more definitive  
 15 answer?

MR. RYAN: Objection.

16 A. Absolutely. Tell us what our  
 17 options were.

18 Q. I may have asked you this, and for  
 19 that I'll apologize in advance. Do you recall  
 20 during the weekly update meetings during the  
 21 fiscal year 1996 audit the classification  
 22 effort with respect to the Lockhart trusts, and  
 23 other endowments for that matter, coming up?

MR. RYAN: Objection.

1 what's been marked as 1577. And it's another  
 2 compilation of documents which include at the  
 3 outset a series of pages headed, AHERF analysis  
 4 of reserves; am I right?

A. Yes, sir.

5 Q. And on it you'll see about  
 6 two-thirds of the way down on the first page  
 7 there is a 6/30/96, as of 6/30/96 entry for  
 8 \$50 million as a potential favorable adjustment  
 9 with a row header that reads, SFAS 117  
 10 endowment transfers at AHERF; am I right?

A. That's correct.

11 Q. And on the second page -- I'm  
 12 sorry, just below that, there is another SFAS  
 13 117 entry for prior period amount exposure in  
 14 the amount of \$54 million; do you see that as  
 15 well?

A. I do.

16 Q. And, in fact, on the next page  
 17 similar entries are made at the bottom of the  
 18 page.

A. Correct.

19 Q. Do you recall receiving this  
 20 cushion or analysis of reserves?

21 A. I don't recall it. Certainly would

1 A. I don't recall having been a big  
 2 topic of conversation, no.

3 Q. May have come up, you just don't  
 4 recall it?

5 A. Yeah. Yeah. Could have.

6 Q. Do you know whether the contents or  
 7 the content of the letter from Ms. Robinson to  
 8 Mr. Martin at the end of the month 1996 was  
 9 shared with anyone at Coopers & Lybrand around  
 10 that time, separate and apart from the actual  
 11 written document?

12 A. I don't know.

13 Q. You're aware -- are you aware of  
 14 any effort to hide that letter from anyone at  
 15 Coopers & Lybrand?

MR. RYAN: Objection.

16 A. No. No, sir.

17 Q. Do you believe that that letter is  
 18 necessary to anyone's understanding of the  
 19 accounting issues with respect to the Lockhart  
 20 trusts?

MR. RYAN: Objection.

21 A. No. One way or the other, no.

22 That's a non-entity.

23 Q. Mr. Spargo, we've handed you now

1 have had access to it and probably did receive  
 2 it.

3 Q. Do you recall that the FASB 117  
 4 analyses and classifications that had been  
 5 undertaken in fiscal year 1996 were considered  
 6 both cushion opportunity and potential exposure  
 7 risk at AHERF in finance?

MR. RYAN: Objection.

8 A. I think we knew that.

9 Q. And that's consistent with your  
 10 prior testimony today about the use of the  
 11 cushion as being a partial motivator for the  
 12 classification?

13 A. Yes. Yes.

14 Q. And what was the perceived risk?  
 15 A. The risk was the extent to which  
 16 that accounting treatment was definitively  
 17 determined to be improper.

18 Q. The risk is you might have been  
 19 wrong?

20 A. Correct. Correct. Not unlike the

CRA.

21 Q. What do you recall knowing, as you  
 22 sit here today, about the audit steps that  
 23 Coopers & Lybrand undertook with respect to the

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1 couldn't and others, I have no idea. And why  
 2 Sheriff didn't hold them accountable, I'll  
 3 probably never understand.

4 Q. Did you understand what the risk  
 5 contracting enterprise that AHERF launched in  
 6 or about this time period was one that could  
 7 have been altered or modified?

8 A. I believe it could have been, yes.

9 Q. How so?

10 A. By approaching U.S. Healthcare,  
 11 renegotiating the terms. We didn't have an  
 12 obligation to make them wealthy on our behalf.  
 13 We wanted to explore a concept that was being  
 14 explored throughout the country, that is,  
 15 providers taking on a certain element of risk,  
 16 and providers throughout the country have  
 17 recognized that that's not something they're  
 18 very good at. So you unwind the deal.

19 Q. And do you know whether those  
 20 approaches were ever made?

21 A. No, I don't believe they were.

22 Q. Did you recommend them?

23 A. To Mr. McConnell, yes. To

24 Mr. Abdelhak, no.

25 Q. Is it fair to say then that your

1 Allegheny, Adamczak was one.

2 Q. This memo has actually got his name  
 3 on it, so I have half of an excuse.

4 A. That's all right. That's fine.

5 Q. Mr. Spargo, I'm handing you a memo  
 6 apparently authored by Mr. Adamczak marked as  
 7 Exhibit 193.

8 A. You had to save this to the end.

9 Q. It is, indeed, such a memo?

10 A. It is, a memo from Al to Jack, yes,  
 11 sir.

12 Q. And it's in Mr. Adamczak's  
 13 handwriting?

14 A. Yes.

15 Q. With which you came to be familiar  
 16 over time?

17 A. Yes, most definitely.

18 Q. And you've, I think, mentioned in  
 19 first line where it says, per discussions with  
 20 Steve, 1.6 million of C. Calvert, and I can't  
 21 read the next word, maybe you can help me.

22 A. Payment.

23 Q. Payment is to be capitalized as  
 24 tort settlement and amortized over five years?

25 A. Yes, correct.

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1 opinion at the time, and it is today, that a  
 2 certain amount, a significant amount of  
 3 improvement and implementation might have  
 4 improved financial performance significantly?

5 A. Absolutely.

6 MR. RYAN: Objection.

7 A. Absolutely. No doubt about it. I  
 8 think Tenet and Drexel are living proof.

9 Q. And they are, again, acquirers?

10 A. Yes, they are, sir.

11 Q. Of certain portions of what were

12 AHERF enterprises?

13 A. Frankly, all of Delaware Valley  
 14 operations, I believe, in their entirety.

15 Q. Separate and apart from the western  
 16 enterprises?

17 A. Yes, sir. Yes, sir.

18 Q. Mr. Adamczak, I'm going to hand you  
 19 now what we've marked as Exhibit 193.

20 A. Please.

21 Q. That's twice.

22 A. At least it's not Snow or Laing, or  
 23 Martin or Dienisio. We can go down the list.

24 Q. I apologize.

25 A. I had a lot of friends at

1 Q. Remaining piece --

2 A. Expense.

3 Q. -- expensed to institution cost?

4 A. Institutional cost center, I

5 believe.

6 Q. As salary. Is that what he says?

7 A. Correct.

8 Q. And he closes with the phrase,

9 please adjust?

10 A. Correct.

11 Q. In February close?

12 A. Yes.

13 Q. You do recall as you sit here today  
 14 there were certain circumstances that came to  
 15 your attention regarding the departure of  
 16 employment of an individual named Carol Calvert  
 17 from AHERF?

18 A. Yes. Yes, sir.

19 Q. What do you recall about that  
 20 departure?

21 A. That it was a long time coming,  
 22 number one, about three years late. And that  
 23 she was whisked into Pittsburgh, literally the  
 24 day that all the termination papers were  
 25 signed. And it was alleged to be in response

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<p style="text-align: right;">Page 479</p> <p>1 to her threats of suing the organization. So 2 it was characterized as a tort settlement. 3 Q. What did you understand to be the 4 alleged threats about -- what was the suit 5 about? 6 A. I have no idea. 7 Q. Okay. 8 A. None whatsoever. 9 Q. Why do you say, in your opinion, 10 this was a long time coming? 11 A. Her value to the organization was 12 minimal. In fact, she was a liability. Her 13 performance was substandard. She was -- she 14 had no respect amongst her peers or her 15 subordinates. She was not a very effective 16 manager. 17 Q. And why do you say all of those 18 things? 19 A. Because she was terrible at what 20 she did. 21 Q. What exposure did you have to her? 22 A. Oh, good God. Yikes. More than I 23 care to. She headed up the AIHG process, and 24 until Don Klein was appointed the CFO of AIHG, 25 I was responsible for baby-sitting Carol</p>	<p style="text-align: right;">Page 481</p> <p>1 Q. And other departments? 2 A. And others, yes. 3 Q. And it was -- was it ever confirmed 4 to you by either Mr. Abdelhak, Mr. McConnell, 5 or Ms. Calvert? 6 A. No. No, sir. 7 Q. Do you know whether any of the 8 auditors at C &amp; L ever heard these same 9 discussions? 10 MR. RYAN: Objection. 11 A. I would assume they did. I don't 12 know for a fact. 13 Q. Do you remember ever discussing it 14 with any of them yourself? 15 A. I don't remember specific 16 conversations. 17 Q. Do you remember a general 18 conversation? 19 MR. RYAN: Objection. 20 A. It would have been a topic of 21 conversation with the auditors. 22 Q. You believe it was? 23 A. I believe it was, yes. 24 MR. RYAN: Objection. 25 Q. At a weekly update meeting?</p>
<p style="text-align: right;">Page 480</p> <p>1 Calvert. 2 Q. And you found her in your 3 interactions to be less than a knowledgeable 4 manager? 5 A. Very less. 6 Q. And that had always been the case? 7 A. Always to my knowledge, yes, my 8 interactions, yes. 9 Q. Do you recall ever hearing in 10 discussions that Ms. Calvert was having an 11 affair or other untoward relationship with 12 members of senior management? 13 A. Yes, that was word on the street, 14 yes, sir. 15 Q. And who were the member or members, 16 who was the member or who were the members of 17 senior management? 18 A. Mr. Abdelhak and Mr. McConnell. 19 Q. And from whom did you hear such 20 discussions? 21 A. Whoever might be flying on the 22 plane that day. Certainly my staff. 23 Q. It was a common conversation among 24 the finance department? 25 A. Oh, yes.</p>	<p style="text-align: right;">Page 482</p> <p>1 MR. RYAN: Objection. 2 A. No. No. No. No. In the hallway, 3 having a cigarette, lunch. 4 Q. A more casual conversation? 5 MR. RYAN: Objection. 6 A. Absolutely. Yes. 7 Q. It was so commonly discussed that 8 it would have been hard for the auditors not to 9 be involved in one of those considerations, is 10 that your characterization? 11 MR. RYAN: Objection. 12 A. I would characterize it that way, 13 yes. 14 Q. Do you recall the discussions that 15 Mr. Al Adamczak appears to refer in Exhibit 16 193, with you? 17 A. I don't recall them specifically. 18 Q. Do you recall how you learned that 19 there was to be some sort of settlement 20 agreement and payment to Ms. Calvert? 21 A. Mr. McConnell. 22 Q. How was it expressed to you by him? 23 A. That we're paying off Carol and 24 she's here signing her papers. I think that 25 day he shared that with me because it was in</p>

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1 Fifth Avenue Place and, of course, that's where  
 2 my office was, so I knew full well she was  
 3 there. Everyone knew when she was there. And  
 4 he said we're going to record it in response to  
 5 tort settlement.

6 Q. Did you have a reaction to that?

7 A. Probably like similar to Mr.  
 8 Paroos'.

9 Q. Yes.

10 A. And he probably would have said  
 11 yes.

12 Q. Mr. Paroo was another individual  
 13 who departed AHERF with some form of legal  
 14 agreement in payment?

15 A. That's correct.

16 Q. Did you have a question at the time  
 17 about whether it was appropriate to  
 18 characterize the settlement either as a tort or  
 19 anything else?

20 A. Yes. I told Mr. McConnell we  
 21 needed some documentation to support it. And I  
 22 assumed this would not be 1099-able or  
 23 W-2-able. And he said, yes.

24 Q. And what do you mean by that for  
 25 those who aren't IRS proficient?

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1 A. Yes.  
 2 Q. And did you have any reaction to  
 3 the request to capitalize any portion of this  
 4 payment over time?  
 5 A. No. No.  
 6 Q. Did you have any reaction about the  
 7 concern about the appropriateness of  
 8 capitalizing a tort settlement?  
 9 A. No. No. My concerns were more IRS  
 10 generated, you know her settlement, I don't  
 11 know if it represented three years of income,  
 12 but we could have easily paid it out monthly  
 13 over three years and to record the expense over  
 14 three years would have been proper. So to  
 15 capitalize it and amortize it, characterization  
 16 was not driven by the desire to accounting  
 17 treatment. It was designed by or driven by the  
 18 desire to alleviate Ms. Calvert from her income  
 19 tax responsibilities.

20 Q. Do you have any idea why it wasn't  
 21 just paid out?

22 MR. RYAN: Objection.

23 Q. All in one sum?

24 A. It was, wasn't it?

25 MR. RYAN: Objection.

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1 A. Taxable income to the recipient of  
 2 the funds.  
 3 Q. So it was your understanding that  
 4 Mr. McConnell was telling you to create either  
 5 documentation or at least a request for a  
 6 payment that would not be taxable to the  
 7 recipient?  
 8 A. No.  
 9 MR. RYAN: Objection.  
 10 A. I didn't create any documents.  
 11 Q. Yes.  
 12 A. I was instructed when the payment  
 13 went through the accounting system to make sure  
 14 that we knew, number one, to capitalize all or  
 15 a majority of it and amortize it.  
 16 Number two, to instruct Mr. Deasy  
 17 not to include it in taxable income.  
 18 Q. To whom, taxable income to whom?  
 19 A. To Ms. Calvert, correct.  
 20 Q. So at the time you're dealing with  
 21 an IRS kind of a question?  
 22 A. Yes.  
 23 Q. And you're also dealing with an  
 24 accounting question because you're being asked  
 25 to capitalize?

1 A. It was, I believe.  
 2 Q. And then amortized?  
 3 A. And then amortized.  
 4 Q. Do you have any idea why it was  
 5 amortized?  
 6 A. Spread the expense out over five  
 7 years.  
 8 Q. So that would have been the  
 9 accounting issue?  
 10 A. Yeah. That could have been the  
 11 accounting issue, yeah.  
 12 Q. Which is to spread expense and not  
 13 take it all in one year?  
 14 A. Right. Right.  
 15 Q. Did you ever understand from  
 16 Mr. McConnell or otherwise that some portion of  
 17 the rationale for the capitalizing of the  
 18 expense was that there was some view that this  
 19 tort settlement was also in part or in full a  
 20 covenant not to compete?  
 21 A. From Carol?  
 22 Q. Yes.  
 23 A. Maybe if she would have competed we  
 24 would have done a little better. No, I did not  
 25 know that.

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<p>1       Q. Only because it was behind Exhibit 2 15, and you already have it. Did I not show it 3 to you before?</p> <p>4       A. Yeah, probably.</p> <p>5       MR. RYAN: I'm sorry, Jim, this is 6 what exhibit?</p> <p>7       MR. JONES: Exhibit 16.</p> <p>8       MR. RYAN: I don't believe we've 9 seen that in this case, in this deposition, I 10 mean.</p> <p>11      MR. JONES: Well, I was informed 12 that we had, and if we haven't, we'll find it.</p> <p>13      A. Number 16?</p> <p>14      Q. Yes. Potential adjustments at the 15 top of the page.</p> <p>16      We like to do this towards the end 17 of the day to make sure we're all energized.</p> <p>18      A. Good exercise.</p> <p>19      (Discussion held off the record.)</p> <p>20      Q. Having located Exhibit 16, after 21 some effort, it is, again, a potential 22 adjustment sheet; is that right?</p> <p>23      A. Yes, sir.</p> <p>24      Q. And I'm going to refer your 25 attention to the second page.</p>	<p>Page 491</p> <p>1       A. Correct, compiling budgets is 2 probably the best description.</p> <p>3       Q. Those budgets would include earning 4 targets, board projections, and things like 5 we've seen earlier today?</p> <p>6       A. Correct.</p> <p>7       Q. For AHERF and its affiliate 8 operations?</p> <p>9       A. Correct.</p> <p>10      Q. Who assisted you in this effort?</p> <p>11      A. Mr. Adamczak primarily.</p> <p>12      Q. Do you recall from time to time 13 there were edicts from Mr. Abdelhak about 14 improvements in either productivity, expense 15 reduction, or things of that nature?</p> <p>16      A. Edicts about?</p> <p>17      Q. Increased productivity or expense 18 reduction or things of that nature?</p> <p>19      A. Yeah, I think so.</p> <p>20      Q. In the budgeting process?</p> <p>21      A. Yeah.</p> <p>22      Q. Do you recall any -- experiencing 23 any frustration with some of these goals from 24 time to time?</p> <p>25      A. I recall thinking that they -- it</p>
<p>1       A. Yes, sir.</p> <p>2       Q. And it appears that both the 3 Calvert tort settlement and the Paroo tort 4 settlement are listed as potential adjustments 5 and potential expense adjustments, in fact?</p> <p>6       A. Correct.</p> <p>7       Q. Summing to \$4.9 million?</p> <p>8       A. Yes, sir.</p> <p>9       Q. So do you recall now that there was 10 continuing concern about the propriety of the 11 capitalizing of these settlements and that 12 there was concern that these may be potential 13 expense items at some future point?</p> <p>14      A. I think this helps my recollection, 15 yes.</p> <p>16      Q. Do you recall that part of your job 17 was developing budgets?</p> <p>18      A. I'm sorry, sir.</p> <p>19      Q. Do you recall that part of your 20 job, Mr. Spargo, was developing budgets at 21 AHERF?</p> <p>22      A. Yes.</p> <p>23      Q. And, in fact, not only developing 24 them, but dealing with the budgets developed by 25 others?</p>	<p>Page 492</p> <p>1       was doubtful they would be achieved.</p> <p>2       Q. Did you have any sense that they 3 may be arbitrarily imposed?</p> <p>4       A. Oh, yeah.</p> <p>5       Q. And why so?</p> <p>6       A. Well, they normally came out of the 7 big office without any data going in first.</p> <p>8       Q. And the big office was 9 Mr. Abdelhak's?</p> <p>10      A. Mr. Abdelhak's, yes, yes.</p> <p>11      Q. Did you find that the budgets from 12 time to time were more optimistic than you 13 would have made them, the budget requirements?</p> <p>14      A. I can't say that. There was always 15 some glimmer of hope that there would have been 16 sufficient pressures placed on the operating 17 units to achieve some of those budgeted targets 18 and expectations.</p> <p>19      Q. Did you or anyone else at finance 20 though feel any amount of pressure to help 21 fulfill what might have been optimistic goals 22 from time to time, if you could, via accounting 23 treatments?</p> <p>24      A. Yeah, I think we recognize that we 25 wanted to try and hit our targets as best we</p>

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1 could.

2 Q. Mr. Spargo, flipping back to  
 3 another category of questions for a second, if  
 4 C & L would have asked you, would you have told  
 5 them that the payments to Ms. Calvert and  
 6 Mr. Paroo were tort settlements?

7 A. Sure I would have.

8 MR. RYAN: Objection.

9 A. Absolutely.

10 Q. Or were for tort settlements?  
 11 A. Yes, there's nothing to hide. The  
 12 disturbing part about those settlements, given  
 13 their timing, was that we were having cash, and  
 14 senior management somehow felt the need to pay  
 15 out \$5 million to two bone heads.

16 You know, the accounting treatment,  
 17 I hate to say this, I could have cared less  
 18 about the accounting treatment. I had the  
 19 accountants responsible to me. I also had Dave  
 20 Deasy every day asking if he could pay Cardinal  
 21 Health or Baxter or -- and we're paying those  
 22 two people 5 million bucks.

23 Q. You're aware that during your time  
 24 at AHERF, performance bonuses were paid to  
 25 management?

1 do you mean by budget?

2 A. Whether we achieved our budget

3 targets or not.

4 Q. In terms of net income?

5 A. Net income, yeah, maybe revenues.

6 Q. I'm sorry, you said something after  
 7 net income?

8 A. Maybe revenues, whatever. No. No.

9 No. One of the big targets was cost per  
 10 adjusted discharge, CPAD, how could I forget.  
 11 Sherif would shoot me. That was a big deal  
 12 about whether we had achieved cost per adjusted  
 13 discharged targets.

14 Q. What does that mean?

15 A. That means you take your expenses  
 16 and go through some crazy gyration to equate it  
 17 to how much does it cost to treat a patient.  
 18 East, west, I don't know that we did a  
 19 consolidated, but probably in the regions where  
 20 they had hospitals.

21 - - - -  
 22 (Thereupon, Deposition Exhibit 1700  
 23 was marked for purposes of  
 24 identification.)  
 25 - - - -

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1 A. Yes.

2 Q. And it was a system designed to  
 3 reward executives in the event of achieving  
 4 certain benchmarks?

5 A. Yes.

6 Q. In a typical year, what did those  
 7 bonuses run for people at your level of  
 8 seniority and responsibility at the company?

9 A. Ten to 30 percent.

10 Q. Did you have a view about whether  
 11 those were middling or high in the industry?

12 A. I thought they were high.

13 Q. Was achievement of those bonuses by  
 14 management and people in the finance  
 15 department, like yourself, in part contingent  
 16 upon meeting certain financial goals?

17 A. Yes.

18 Q. And what were those goals?

19 A. I don't recall, but I don't even  
 20 know if budget was one, something to do with  
 21 net equity, probably bond ratings, patient  
 22 satisfaction, quality. There was like four or  
 23 five indicators. Fairly standard in the  
 24 industry.

25 Q. When you say budget was one, what

1 Q. Mr. Spargo, we just handed you  
 2 Exhibit 1700, which is a September 6, 1996 memo  
 3 from Dwight Kasperbauer to Mr. Buettner; is  
 4 that fair to say?

5 A. Yes, sir.

6 Q. With a copy to Al Adamczak?

7 A. Yes, sir.

8 Q. And in it Mr. Kasperbauer tells  
 9 Mr. Buettner that he is providing certain  
 10 information; is that right?

11 A. Yes.

12 Q. And part of that information is a  
 13 description of the criteria with respect to the  
 14 bonuses we've just been discussing; is that  
 15 right?

16 A. That's correct.

17 Q. And does that refresh your  
 18 recollection about the criteria involved?

19 A. As soon as I go through them it  
 20 does.

21 Q. And the categories briefly are  
 22 admissions, cost per adjusted discharge, which  
 23 you just mentioned?

24 A. Correct.

25 Q. Net income?

Stephen Spargo

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1 A. Correct.  
 2 Q. Net equity?  
 3 A. Correct.  
 4 Q. Uncompensated care?  
 5 A. Correct.  
 6 Q. And the level of external funds  
 7 secured for research?

8 A. Yes.  
 9 Q. In what connection was Mr.  
 10 Kasperbauer providing this information to  
 11 Mr. Buettner?

12 A. He was asking Mr. Buettner to  
 13 review and verify the accuracy of the  
 14 underlying calculations.

15 Q. This was a certain agreed upon  
 16 procedure project?

17 A. Yes. Coopers would do that every  
 18 year. In fact, the first year I really got to  
 19 know Dan Cancelmi, he was the senior manager on  
 20 the AHERF job and he was tasked with doing  
 21 exactly what Mr. Buettner is doing here in this  
 22 calculation.

23 Q. Do you recall ever being -- ever  
 24 having discussions with Coopers on these  
 25 engagements, on compensation?

1 Q. Leavy?  
 2 A. Harvey Leavy, yeah. And probably  
 3 Carol as well.  
 4 Q. How were you made aware of these  
 5 bonuses?  
 6 A. Mr. Deasy.  
 7 Q. Told you?  
 8 A. Yes.  
 9 Q. Do you recall bonuses being paid  
 10 for anything else?  
 11 A. Yes.  
 12 Q. What?  
 13 A. Securing additional debt.  
 14 Q. Who received those bonuses?  
 15 A. Mr. Martin, Ms. Gilbert. I don't  
 16 know who else.  
 17 Q. What were you -- do you have any  
 18 opinions on the appropriateness of the bonuses  
 19 we just discussed?  
 20 A. Yeah.  
 21 MR. RYAN: Objection.  
 22 Q. What about them?  
 23 A. There was no need for it. You  
 24 don't give people bonuses to do their job. I  
 25 think the acquisitions used to piss me off, but

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1 A. Not too much. No, because I  
 2 purposely dealt with Dwight.

3 Q. And who was Mr. Kasperbauer, by  
 4 title?

5 A. He was the executive vice president  
 6 and chief human resource officer.

7 Q. Do you recall that any AHERF  
 8 executives received bonuses for acquisitions?

9 A. Yes.

10 Q. Who were they and do you recall?

11 A. Yes. Mr. Abdelhak, Mr. McConnell,  
 12 Ms. Wynstra, of course, Dr. Kaye, Mr. Dienisio.  
 13 I don't know if Mr. Sanso. Mr. Sanso may have  
 14 as well.

15 Q. It was based on hospital  
 16 acquisitions?

17 A. I believe so, yes.

18 Q. Were there any bonuses paid on  
 19 physician practice acquisitions?

20 A. I think there may have been. Oh,  
 21 yes, there was. Yeah.

22 Q. To whom?

23 A. Whoever the guy was that cavorted  
 24 around with Carol.

25 A. Harvey --

1 the debt really, like come on, but --  
 2 Q. Was it your view that these were  
 3 unnecessary and excessive?  
 4 MR. RYAN: Objection.  
 5 A. Yes, it was, indeed.  
 6 Q. Well, if I've overstated your  
 7 opinion, tell me.  
 8 A. No.  
 9 Q. How would you characterize --  
 10 A. No, this was very excessive.  
 11 People should be fired, they shouldn't be  
 12 getting bonuses.  
 13 Q. Do you recall the Exuplex program?  
 14 A. Yes, I do, as a matter of fact. It  
 15 was a creditor.  
 16 Q. What was it?  
 17 A. It was a basically an executive  
 18 perk package where we were allotted a certain  
 19 amount of money, and I don't recall exactly how  
 20 much, and with that money we could select  
 21 different types of benefits of short-term  
 22 disability, I think we had access to some  
 23 executive life insurance, and then there would  
 24 be a residual amount after we went benefit  
 25 shopping that we would keep for two years and

56 (Pages 499 to 502)

Stephen Spargo

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1 then have ready access to.  
 2 Q. What was the quantum, if you can,  
 3 as a percentage of salary that you were  
 4 committed as an allotment to do this shopping?

5 A. 20 percent.  
 6 Q. I think you testified earlier in  
 7 other litigation it was as much as 33 percent?

8 A. Thirty-three.  
 9 Q. Is that your best recollection?  
 10 A. Yes. Yes. Thirty-three. Yes.

11 Q. Do you recall any other executive  
 12 benefits?

13 A. Yes. We got sort of like a car  
 14 allowance thrown into our salary. And that was  
 15 intended, number one, for cars, so you didn't  
 16 have to submit the milage to and from the  
 17 airport and that crap. It was also intended to  
 18 cover legal fees, financial advisors, tax  
 19 preparation fees, those kind of things. That  
 20 was like \$22,000 a year or something.

21 Q. Do you recall that these benefits  
 22 that we've just discussed over the last few  
 23 minutes were benefits that were available to  
 24 not only persons of your position in the  
 25 company, but those above you like

## 1 CERTIFICATE

2 The State of Ohio, )  
 3 SS:  
 4 County of Cuyahoga. )

5  
 6 I, Jaci R. Traver, RPR, CRR and  
 7 Notary Public, duly commissioned and qualified,  
 8 do hereby certify that the within named  
 9 witness, STEPHEN SPARGO, was by me first duly  
 10 sworn to testify the truth, the whole truth and  
 11 nothing but the truth in the cause aforesaid;  
 12 that the testimony then given by the  
 13 above-referenced witness was by me reduced to  
 14 stenotypy in the presence of said witness;  
 15 afterwards transcribed, and that the foregoing  
 16 is a true and correct transcription of the  
 17 testimony so given by the above-referenced  
 18 witness.

19 I do further certify that this  
 20 deposition was taken at the time and place in  
 21 the foregoing caption specified and was  
 22 completed without adjournment.

23  
 24  
 25

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1 Mr. McConnell, Ms. Wynstra and Mr. Abdelhak?  
 2 A. Yes.

3 Q. And were there levels of  
 4 individuals in the company beneath you who got  
 5 these benefits and bonuses?

6 A. Perhaps. Maybe down in the vice  
 7 president level.

8 Q. But certainly above you the  
 9 benefits and bonuses that we've talked about  
 10 today applied?

11 A. Oh, yeah, yeah, definitely.

12 MR. JONES: Let's break here so  
 13 people can make their flights. We will  
 14 obviously reconvene and maybe take a few  
 15 minutes to talk about when. I will be, if not  
 16 done, and I may just say I'm done, very, very  
 17 close to done, on the order of a half hour to  
 18 an hour, but no more. I appreciate everyone's  
 19 stamina.

20 VIDEO TECHNICIAN: Going off the  
 21 record at 3:48.

22  
 23 (Deposition adjourned.)

-----

1 I do further certify that I am not  
 2 a relative, counsel or attorney for either  
 3 party, or otherwise interested in the event of  
 4 this action.

5 IN WITNESS WHEREOF, I have hereunto  
 6 set my hand and affixed my seal of office at  
 7 Cleveland, Ohio, on this day of  
 8 , 2003.

9  
 10  
 11  
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 25

Jaci R. Traver, Notary Public  
 within and for the State of Ohio

My commission expires July 15, 2003.

Stephen Spargo

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1 SIGNATURE OF WITNESS  
2  
3  
4  
56 The deposition of STEPHEN SPARGO,  
7 taken in the matter, on the date, and at the  
8 time and place set out on the title page  
9 hereof.10 It was requested that the  
11 deposition be taken by the reporter and that  
12 same be reduced to typewritten form.13 It was agreed by and between  
14 counsel and the parties that the Deponent will  
15 read and sign the transcript of said  
16 deposition.17  
18  
19  
20  
21  
22  
23  
24  
25

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1 DEPOSITION ERRATA SHEET  
2  
34 RE: OFFICIAL COMMITTEE OF UNSECURED  
5 CREDITORS OF ALLEGHENY HEALTH,  
6 EDUCATION & RESEARCH FOUNDATION  
7 VS.  
8 PRICEWATERHOUSECOOPERS, L.L.P.  
9 RRS File No.: 7472  
10 Deponent: STEPHEN SPARGO  
11 Deposition Date: JULY 18, 200312 To the Reporter:  
13 I have read the entire transcript of my  
14 Deposition taken in the captioned matter or the  
15 same has been read to me. I request that the  
16 following changes be entered upon the record  
17 for the reasons indicated. I have signed my  
18 name to the Errata Sheet and the appropriate  
19 Certificate and authorize you to attach both to  
20 the original transcript.  
21  
22  
23  
24  
25

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1 AFFIDAVIT  
2 The State of Ohio, )  
3 ) SS:  
4 County of Cuyahoga )  
5  
6  
78 Before me, a Notary Public in and for  
9 said County and State, personally appeared  
10 STEPHEN SPARGO, who acknowledged that he/she  
11 did read his/her transcript in the  
12 above-captioned matter, listed any necessary  
13 corrections on the accompanying errata sheet,  
14 and did sign the foregoing sworn statement and  
15 that the same is his/her free act and deed.16 In the TESTIMONY WHEREOF, I have hereunto  
17 affixed my name and official seal at this  
18 day of A.D 2003.19  
20  
21 Notary Public  
22  
23  
24  
25

My Commission Expires:

Stephen Spargo

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IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PENNSYLVANIA

THE OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS OF  
ALLEGHENY HEALTH, EDUCATION  
& RESEARCH FOUNDATION,

Plaintiff,

vs.

PRICEWATERHOUSECOOPERS,  
LLP,

Defendant.

Civil Action  
No. 00-684

Continued Videotaped Deposition of  
STEPHEN H. SPARGO, called for examination under  
the Applicable Rules of Federal Civil  
Procedure, taken before me, Michele E. Eddy, a  
Registered Professional Reporter and Notary  
Public in and for the State of Ohio, pursuant  
to notice and stipulations of counsel, at the  
offices of Manion McDonough, 600 Grant Street,  
Suite 1400, Pittsburgh, Pennsylvania, Ohio, on  
Tuesday, the 4th day of November, 2003, at 9:00  
a.m.

- - - - -

VOLUME 3

- - - - -

Stephen Spargo

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1 that you have attached a schedule which depicts  
 2 47 million dollars of reserves on the books in  
 3 our DV or Delaware Valley Hospitals, is that  
 4 right?

5 A. That's correct.

6 Q. Indeed the attached page in the  
 7 second page of Exhibit 1343 is that listing of  
 8 reserves for the Delaware Valley as of 3-31-95.

9 Am I right?

10 A. Yes, it is.

11 Q. And then Exhibit 1689, the one next  
 12 to you and now in your hands is, again,  
 13 another, this time, two-page listing of AHERF  
 14 reserves. This time it says after proposed  
 15 adjustments. And these reflect reserves as of  
 16 6-30-95 and 6-30-96, is that right?

17 A. They do.

18 Q. On both of these exhibits,  
 19 Mr. Spargo, we have an entry for prior year  
 20 CRAs under the heading of the Hahnemann  
 21 Hospital or the category that relates at least  
 22 to the Hahnemann Hospital. Am I right in that?

23 A. I'm sure you are. I'm just looking  
 24 for it.

25 Q. Let me help you. Look at Exhibit

1 MR. RYAN: Objection.

2 Q. The entry for, on Exhibit 1689,  
 3 rather, for the prior year CRA at Hahnemann is  
 4 19.5 million, is that right?

5 A. Yes, sir.

6 Q. Again, a significant sum?

7 A. Yes, sir.

8 MR. RYAN: Objection.

9 Q. And taking you back momentarily to  
 10 your testimony in your first deposition  
 11 session, these analyses of reserves were  
 12 documentation used by the finance department to  
 13 keep track of or score of what was referred to  
 14 as cushions.

15 Is that fair to say?

16 A. Yes, it is.

17 Q. And those cushions, in your  
 18 testimony, I think, were means of mitigating  
 19 unforeseen negative financial consequences?

20 A. Yes.

21 Q. Or otherwise offsetting negative  
 22 financial performance during a given period?

23 A. Yes.

24 Q. And these entries got to the  
 25 reserve analyses or cushion analyses by way of

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1 1343 first.

2 A. Okay.

3 Q. The first entry is for the HUH --

4 A. Right.

5 Q. -- hospital. And that is  
 6 Hahnemann?

7 A. That is Hahnemann.

8 Q. In the parlance in the accounting  
 9 department at this time.

10 A. Yes, sir.

11 Q. And then if you look at 1689's  
 12 first page, the Allegheny University Hospital  
 13 would be again Hahnemann Hospital again?

14 A. Yes. Thank you.

15 Q. If you skip down just a few lines  
 16 under both of those headings you will see on  
 17 both documents an entry for prior year CRAs.

18 A. That's correct.

19 Q. In the Delaware Valley listing,  
 20 Exhibit 1343, the amount is 13 million dollars.

21 Is that right?

22 A. Yes, sir.

23 Q. That's a significant sum, am I  
 24 right?

25 A. It is.

1 individuals in either the finance or other  
 2 departments at AHERF; the underlying data was  
 3 supplied to the finance department by certain  
 4 individuals, is that fair to say?

5 A. Yes, sure.

6 Q. With respect to prior year CRAs or  
 7 cost rate adjustments -- first of all, is that  
 8 what that refers to?

9 A. A/R cost report adjustments, yes.

10 Q. Synonymous terms?

11 A. Yes.

12 Q. Cost rate adjustment, cost report  
 13 adjustment meant the same thing to finance  
 14 department people at AHERF anyway?

15 A. Yes. It did. It did.

16 Q. The data for cost rate adjustment  
 17 or prior year cost rate adjustment or cost  
 18 report adjustment cushions would have come from  
 19 what source, what individual?

20 A. Primarily Joe Scharf or his staff.

21 Q. Now, a prior year cost rate  
 22 adjustment, as you understood it, at the time  
 23 these documents were generated and used would  
 24 have meant what? What would a prior CRA entry  
 25 on these analyses of reserves or cushions have

3 (Pages 523 to 526)

Stephen Spargo

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1 meant to you?

2 A. It would have meant that for a year  
 3 other than the current year, that the cost  
 4 reports, primarily Medicare, but to some extent  
 5 Medicaid, maybe Blue Cross in some cases, but  
 6 few, when those cost reports get final settled  
 7 after audit, that we could expect more  
 8 reimbursement than perhaps we recorded to date.

9 Q. And instead of -- strike that.

10 Now, there was also a term used  
 11 with respect to the way hospitals are  
 12 reimbursed during the time you worked in the  
 13 AHERF finance department or with accounting at  
 14 AHERF that went by the initials PIP.

15 Do you remember that --

16 A. Yes, I do.

17 Q. -- set of initials?

18 A. Yes, I do.

19 Q. That term referred to periodic

20 interim payments?

21 A. That's correct.

22 Q. Can you, as you recall it, describe  
 23 for me the difference between a periodic  
 24 interim payment and a cost rate adjustment?

25 A. I can try.

1 jurisdictions, comes in and audits the  
 2 hospital's equivalent of a tax return. The  
 3 cost report is yea thick.

4 It has everything on there from  
 5 interns and residents to bad debts and they'll  
 6 come in at the end of the day and say your cost  
 7 report shows that we owe you \$100,000.

8 After audit we think we owe you  
 9 \$4,100,000. If you agree, sign off on the  
 10 adjustments, case closed. Move on to the next  
 11 year. So they're really not -- PIP and CRAs  
 12 aren't related.

13 Q. Do you recall during the time you  
 14 were involved with the generation and review of  
 15 the cushion analyses or analysis -- analyses of  
 16 reserves marked as Exhibit 1343 and Exhibit  
 17 1689, whether any PIP account amounts were  
 18 recorded on these analyses as cushions or  
 19 potential cushions?

20 A. They shouldn't have been. I mean  
 21 true PIP balances, they're just -- just cash  
 22 flow issues. They don't have an income  
 23 statement impact. So --

24 Q. Did you --

25 A. Some hospitals will allow PIP

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1 Periodic interim payment or PIP is  
 2 a method of reimbursement that Medicare affords  
 3 very few hospitals that meet certain  
 4 preestablished criteria.

5 What Medicare basically says is  
 6 we're going to give you a flat amount of money  
 7 every two weeks irrespective of how many bills  
 8 you send us and how many claims we process in  
 9 response to those bills.

10 So your cash flow will be an even  
 11 five million dollars every two weeks no matter  
 12 what. One week you may send in eight million  
 13 dollars of bills, the next week you may take  
 14 the week off and send in a hundred thousand  
 15 dollars, but PIP is going to assure you  
 16 uninterrupted cash flow. The day of reckoning  
 17 will be when we settle the cost report for a  
 18 given year.

19 So PIP has nothing to do with the  
 20 cost report. It's merely cash advances in lieu  
 21 of making payments specific to individual  
 22 claims.

23 And a cost report adjustment is  
 24 basically one that fiscal intermediary, which  
 25 is usually Blue Cross in most cities or

1 accounts to also serve as CRA accounts. Once  
 2 the year is done, instead of closing out PIP  
 3 because nobody likes to reconcile PIP, they  
 4 just leave it in there and say the intermediary  
 5 is going to resolve everything when all is said  
 6 and done and we'll use that as part of our CRA  
 7 balance either owed to or owed from Medicare.

8 Q. Do you know then as you sit here  
 9 today whether the prior year CRA entries on  
 10 Exhibits 1343 and 1689 included amounts like  
 11 you just described with respect to PIP  
 12 accounts, that is amounts that might be  
 13 cushion?

14 A. They could have.

15 MR. RYAN: Objection.

16 A. They could have. I, again, don't  
 17 recall who was on PIP, to be honest with you.

18 Q. When you say recall who, you don't  
 19 recall who would have been reporting PIP  
 20 amounts?

21 A. No, which hospital was afforded  
 22 that luxury by Medicare.

23 Q. I see.

24 Are there bookkeeping circumstances  
 25 that you recall where there were transfers

4 (Pages 527 to 530)

Stephen Spargo

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1 Coopers & Lybrand have been making this comment  
 2 about the capitalized interest even in the  
 3 prior year, they've been consistently making  
 4 this point, it's not something that they  
 5 just --

6 A. No.

7 Q. -- came up with on the spot for the  
 8 IBM Center?

9 A. You are correct. You are correct.

10 MR. JONES: Object to form.

11 Q. This is something Coopers &  
 12 Lybrand's consistently been telling AHERF for a  
 13 number of years?

14 MR. JONES: Same objection.

15 A. Yes. Yes.

16 Q. You would agree that there's  
 17 nothing inappropriate about having a SUD that  
 18 contains offsetting amounts, right?

19 A. Oh, no. Oh, no. No. That's what  
 20 you hope a SUD would do.

21 Q. You don't think there's anything  
 22 inappropriate about either the SUD entries, do  
 23 you?

24 A. No, I don't.

25 Q. Either the IBM sale leaseback SUD

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1 paragraph one, "We are responsible for the fair  
 2 presentation in the consolidated financial  
 3 statements of our financial position, results  
 4 of operations, and cash flows, in conformity  
 5 with generally accepted accounting principles.

6 "Financial statements and related  
 7 notes include all disclosures necessary for a  
 8 fair presentation of the financial position.  
 9 Results of operations and cash flows of AHERF  
 10 and affiliates in conformity with generally  
 11 accepted accounting principles and disclosures  
 12 otherwise required to be included therein by  
 13 the laws and regulations to which the company  
 14 is subject."

15 Right?

16 A. Yes.

17 Q. So what that's basically saying is  
 18 the financial statements are GAAP, right?

19 MR. JONES: Object to form.

20 A. Yes.

21 Q. That was the representation you  
 22 made to Coopers & Lybrand?

23 A. Yes.

24 Q. You believed that that was an  
 25 accurate statement for you to make?

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1 entry or the 7.1 million capitalized interest  
 2 SUD entry?

3 A. No.

4 MR. JONES: Objection. Asked and  
 5 answered. And form.

6 Q. Let me hand you what's previously  
 7 been marked as Exhibit 1590.

8 A. Thank you.

9 Q. Do you recognize Exhibit 1590, Mr.  
 10 Spargo?

11 A. I do. Looks like the management  
 12 rep letter for the 1996 audit.

13 Q. Dated September 20th, 1996?

14 A. Yes.

15 Q. And signed by Mr. Abdelhak,  
 16 Mr. McConnell, you and Miss Wynstra?

17 A. Yes.

18 Q. I take it that is your signature on  
 19 the last page?

20 A. Yes.

21 Q. Do you recognize the signatures of  
 22 the other three signatures?

23 A. I do, yes. Quite a team we were.

24 Q. This representation letter for  
 25 1996, like the one for 1995, states in

1 A. Yes.  
 2 MR. JONES: Same objection, and to  
 3 foundation.

4 Q. You knew that the auditors at  
 5 Coopers & Lybrand were going to rely on those  
 6 statements, right?

7 A. I knew they were going to be given  
 8 everything they needed to make their own  
 9 judgment. That's what I really knew.

10 So when I sat down and said, David,  
 11 you know, do I need you to sign this, and my  
 12 signature would go on first, so if I signed it,  
 13 he signs it. If he signs, Sherif signs it. If  
 14 Sherif signs it, if she'll go get Nancy to sign  
 15 it.

16 The bottom line is are they going  
 17 to know what they need to determine what their  
 18 audit opinion's going to be? Absolutely.  
 19 That's what that's all about.

20 Did Adamczak make it -- is the  
 21 draft he's going to give them on Monday morning  
 22 GAAP? Who the hell knows. But they'll have --  
 23 they can make that determination. So --

24 Q. And you're aware from your  
 25 experience as an auditor and from working in

52 (Pages 719 to 722)

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1 management at a number of institutions that one  
 2 of the things that auditors place reliance on,  
 3 in addition to various schedules they review  
 4 and so forth, are representations from their  
 5 clients' management, right?

6 A. Yes. Yes. And full disclosure.

7 Q. That's what this is supposed to be,  
 8 right?

9 A. Yes. Yes.

10 MR. JONES: Object to form.

11 Q. If you could turn to the next page.

12 A. Yes, sir.

13 Q. Do you see there paragraph eight  
 14 again states that, "The receivables have been  
 15 appropriately reduced to their estimated net  
 16 realizable value," right?

17 A. Yes, I see it.

18 Q. Did you believe at the time you  
 19 signed it that that was a correct statement?

20 MR. JONES: Object to form.

21 A. I can't imagine I did, but -- no,  
 22 because, you know, obviously this was signed in  
 23 September of 1996. Probably there around the  
 24 same time Mr. Cancelmi came out with his little  
 25 memos that he wrote on a monthly basis at my

1 Q. If you would turn, please, to  
 2 paragraph 17. You see that reads, "Settlements  
 3 due to or due from third-party payers recorded  
 4 on the balance sheet are stated at amounts  
 5 which reflect assessments resulting from  
 6 settlements already made or from those  
 7 contemplated by third-party payers"?

8 A. I see that.

9 Q. And your understanding is that is  
 10 saying the CRA accounts are properly stated?

11 A. I don't know what the hell that  
 12 states.

13 MR. JONES: Note my objection to  
 14 foundation.

15 A. I mean, I don't know. Maybe --  
 16 maybe I should have read this a little  
 17 closer -- I don't know what it says. I guess  
 18 that's what they're trying to say. But to say,  
 19 you know, this year's assessment has to be  
 20 based on a prior year assessment, that's --  
 21 that could be irrelevant, especially if  
 22 Medicare comes up with a new payment scheme or  
 23 something.

24 It's an outdated way of trying to  
 25 say the CRA is reasonably stated.

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1 urging and McConnell's request basically saying  
 2 our reserves are understated by an exorbitant  
 3 sum of money.

4 So did I believe eight? No. Did I  
 5 believe the ball was in somebody else's court  
 6 to decide whether the A/R is going to be fairly  
 7 presented on the financials? Yes. Did they  
 8 hit the ball over the net? No.

9 Q. In fact, I think September 20th is  
 10 the date of the first in this series of memos  
 11 from Dan Cancelmi that we looked at the other  
 12 day?

13 A. Really, the same day as this?

14 Q. Same day.

15 A. Okay. Probably coincidence more  
 16 than anything, in all honesty.

17 Q. So when you signed the management  
 18 representation letter marked as Exhibit 1590,  
 19 you knew that the receivables, in fact, had not  
 20 been appropriately reduced to their estimated  
 21 net realizable value?

22 MR. JONES: Object as asked and  
 23 answered.

24 A. Yeah, I knew the reserve for bad  
 25 debt was understated.

1 Q. Did you believe when you signed  
 2 this letter that the CRA accounts were  
 3 reasonably stated?

4 A. I believe I did. Or, more  
 5 importantly, I believe that they would have  
 6 everything they need to make their own  
 7 determination. It's like telling your mother  
 8 at Thanksgiving, that turkey was great and you  
 9 walk out saying I don't want any leftovers.

10 You know the obvious. You tell me.

11 Q. If you'd look at paragraph 21  
 12 toward the bottom of the page. Do you see that  
 13 reads --

14 A. Yes.

15 Q. -- "AHERF has confirmed to AIHG in  
 16 a letter dated September 9th, 1996 that it will  
 17 continue to support the future operations of  
 18 AIHG," right?

19 A. I see that, yes, sir.

20 Q. That's a reference to the support  
 21 letter required in the absence of which there  
 22 could have been a going concern qualification,  
 23 right?

24 A. Yes. Yes. In fact, I believe in  
 25 the 1995 rep letter, a statement similar to

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1 that was made for the University, I believe.

2 Q. Yes, for MCPHU.

3 A. MCPHU, right. Right.

4 Wow, were you working there  
5 somewhere? How did you get all the right  
6 lingo?

7 Q. MCPHU or M C P H U is what was  
8 later renamed AUHS, right?

9 A. Yes. Yes.

10 Q. If you could look, please, at  
11 paragraph 22 of Exhibit 1590.

12 A. Okay.

13 Q. You see that reads, "We have  
14 adopted financial accounting standards board  
15 statements, FAS number 116, accounting for  
16 contributions received and contributions made;  
17 number 117, financial statements of  
18 not-for-profit organizations; and number 124,  
19 accounting for certain investments held by  
20 not-for-profit organizations, and have complied  
21 with the requirements of these statements in  
22 the preparation of our financial statements."

23 A. Yes, sir.

24 Q. Are these the statements that we've  
25 had occasion to refer to as FAS 116, FAS 117,

1 receivables being appropriately reduced to  
2 their estimated net realizable value that you  
3 didn't believe was true at the time you signed  
4 it?

5 MR. JONES: Object to form.

6 A. I don't know. I'd have to read it  
7 word for word.

8 Q. Would you mind doing that?

9 A. "Fairly described or properly  
10 recorded in the accounting records."

11 Maybe we should have put 3(a), Dear  
12 Bill, Dionisio insisted on recording that damn  
13 IBM building despite our advice to the contrary  
14 and you're going to break the tie. Thanks.

15 Is that material? Yes, six, seven  
16 million dollars. Is it properly recorded? No.  
17 He overrode Al Adamczak, who has more  
18 accounting brains than Joe will ever have.  
19 So -- I mean, I bet there's -- you could  
20 probably look through every little nitpicky  
21 item here and say, you know, is there anything  
22 in here that could be an issue.

23 But the issues are to be resolved  
24 by our independent auditors. All we have to do  
25 is give them the information they need to make

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1 and FAS 124?

2 A. Yes, sir.

3 Q. The statement that you and your  
4 colleagues at AHERF management were making here  
5 was that you had complied with FAS 116, 117,  
6 124 in preparing the 1996 consolidated  
7 financial statements, right?

8 A. Yes.

9 Q. Did you believe that to be true at  
10 the time?

11 A. Dan and Al said so. Yes, I did.

12 The other three who signed this?

13 They didn't have a clue.

14 Q. But you believed it was true, and  
15 that's what you told --

16 A. Yeah.

17 Q. -- I guess Dave McConnell?

18 A. Yeah. Either that or sign this.

19 That's usually how it worked. Here is the rep  
20 letter. There's nothing here to get excited  
21 about. Just sign it. And, oh, by the way,  
22 we're signing it and the audit is over.

23 Q. Are you aware of anything in this  
24 representation letter other than the sentence  
25 we discussed in paragraph eight about

1 an informed judgment. But I hope we have title  
2 to all assets. We put provisions in for  
3 obviously inventories.

4 I mean, the general sense of the  
5 letter is here they are to the best of our  
6 abilities. We need your help now to assess  
7 presentation, fairness and break ties on  
8 certain issues.

9 Q. Are there any transactions or  
10 agreements that you were aware of when you  
11 signed this letter other than the IBM building  
12 sale leaseback that you believed were not  
13 fairly described or properly recorded in the  
14 accounting record?

15 MR. JONES: Object to form.

16 A. When did we sign --

17 MR. JONES: And foundation.

18 A. -- Iqbal, February '96, is that  
19 right? No. Carol Calvert, hell, no. Are they  
20 going to listen to me? No. Will they listen  
21 to Bill Buettner? Maybe. I don't know.

22 Q. So you believed at this time in  
23 September 1996 that the agreements relating to  
24 Miss Calvert and to Iqbal Paroo were recorded  
25 improperly?

Stephen Spargo

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## 1 SIGNATURE OF WITNESS

2  
3  
4  
5  
6 The deposition of STEPHEN H.  
7 SPARGO, taken in the matter, on the date, and  
8 at the time and place set out on the title page  
9 hereof.

10 It was requested that the  
11 deposition be taken by the reporter and that  
12 same be reduced to typewritten form.

13 It was agreed by and between  
14 counsel and the parties that the Deponent will  
15 read and sign the transcript of said  
16 deposition.

## 1 DEPOSITION ERRATA SHEET

2  
3 RE: OFFICIAL COMMITTEE OF UNSECURED  
4 CREDITORS, ETC. VS.  
5 PRICEWATERHOUSECOOPERS, LLP  
6 RRS File No.: 7472  
7 Deponent: STEPHEN H. SPARGO  
8 Deposition Date: NOVEMBER 4, 2003

9  
10 To the Reporter:  
11 I have read the entire transcript of my  
12 Deposition taken in the captioned matter or the  
13 same has been read to me. I request that the  
14 following changes be entered upon the record  
15 for the reasons indicated. I have signed my  
16 name to the Errata Sheet and the appropriate  
17 Certificate and authorize you to attach both to  
18 the original transcript.

25

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## 1 AFFIDAVIT

2 The State of Ohio, )  
3 ) SS:  
4 County of Cuyahoga )

5  
6  
7 Before me, a Notary Public in and for  
8 said County and State, personally appeared  
9 STEPHEN H. SPARGO, who acknowledged that he/she  
10 did read his/her transcript in the  
11 above-captioned matter, listed any necessary  
12 corrections on the accompanying errata sheet,  
13 and did sign the foregoing sworn statement and  
14 that the same is his/her free act and deed.

15 In the TESTIMONY WHEREOF, I have hereunto  
16 affixed my name and official seal at this  
17 day of A.D 2003.

18  
19  
20  
21 Notary Public

22  
23  
24 My Commission Expires:  
25

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IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PENNSYLVANIA

THE OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS OF  
ALLEGHENY HEALTH, EDUCATION  
& RESEARCH FOUNDATION,

Plaintiff,

vs. Civil Action  
PRICEWATERHOUSECOOPERS, No. 00-684  
LLP,

Defendant.

Continued Videotaped Deposition of  
STEPHEN H. SPARGO, called for examination under  
the Applicable Rules of Federal Civil  
Procedure, taken before me, Michele E. Eddy, a  
Registered Professional Reporter and Notary  
Public in and for the State of Ohio, pursuant  
to notice and stipulations of counsel, at the  
offices of Manion McDonough, 600 Grant Street,  
Suite 1414, Pittsburgh, Pennsylvania, Ohio, on  
Wednesday, the 5th day of November, 2003, at  
10:00 a.m.

- - - - -

VOLUME 4

- - - - -

Stephen Spargo

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<p style="text-align: right;">Page 827</p> <p>1 117, right?</p> <p>2 A. That is correct. You're right.</p> <p>3 Q. Does reviewing Exhibits 116 and 117 refresh your recollection that, in fact, the general accounting department at AHERF did calculate and book a bad debt allowance at the Delaware Valley hospitals at year-end fiscal year 1996 based on bad debt formula reserving methodology?</p> <p>10 MR. JONES: Object to form and foundation.</p> <p>12 A. That certainly appears that's what has happened, yes.</p> <p>14 Q. And then provided those amounts to Coopers &amp; Lybrand to audit, right?</p> <p>16 MR. JONES: Same objection.</p> <p>17 A. Yes, it appears so.</p> <p>18 Q. Do you recall ever telling Bill Buettner or anybody else at Coopers &amp; Lybrand that you believed that the bad debt allowances at the Delaware Valley hospitals, that the general accounting department at AHERF had provided Coopers &amp; Lybrand to audit, were understated?</p> <p>25 MR. JONES: Object to form and</p>	<p style="text-align: right;">Page 829</p> <p>1 need help more than sending Norb in from Harrisonburg or wherever he came from. We've got some serious problems here.</p> <p>4 Q. Do you have any reason to believe that the 17 and a half million dollar adjustment made as a result of the Coopers &amp; Lybrand fiscal year 1996 audit was not an adjustment sufficient to state the bad debt allowances at the Delaware Valley hospitals fairly at fiscal year-end?</p> <p>11 MR. JONES: Object to form.</p> <p>12 A. Do I believe it was not sufficient?</p> <p>13 Q. Do you have any reason to believe -- do you have any reason as you sit here today to believe that that adjustment was insufficient?</p> <p>17 MR. JONES: Same objection.</p> <p>18 A. Yes.</p> <p>19 Q. What reason is that?</p> <p>20 A. Dan Cancelmi's September 20th memo to me and the September 24th memo and my handwritten note to David McConnell.</p> <p>23 Q. Before you received Mr. Cancelmi's September 20th, 1996 memo, and perhaps conversations with Dan in the days leading up</p>
<p style="text-align: right;">Page 828</p> <p>1 foundation.</p> <p>2 A. No, I don't recall those -- those exact words, no.</p> <p>4 Q. You had conversations, I gather, with Coopers &amp; Lybrand where you told them that you had concerns about how the patient billing department was doing and you felt they weren't collecting cash well, right?</p> <p>9 A. I did have those, yes.</p> <p>10 Q. But you can't recall conversations where you said to anybody from Coopers &amp; Lybrand I think the bad debt reserve is wrong, I think the financial statements are misstated or anything like that, right?</p> <p>15 MR. JONES: Object to form.</p> <p>16 A. I did not say it like that, no.</p> <p>17 Q. You can't recall saying it in any other way that would have conveyed that message, can you?</p> <p>20 MR. JONES: Object to form.</p> <p>21 A. Yeah. Our A/R includes junk. I don't know how you're going to get satisfied with it this year. But I know you do your own little testing. We have past statute accounts. We have PATCOM crap that we've inherited. We</p>	<p style="text-align: right;">Page 830</p> <p>1 to that memo, did you have any reason to believe that the bad debt reserve at the Delaware Valley hospitals with the 17 and a half million year-end adjustment was insufficient?</p> <p>6 MR. JONES: Same object as asked and answered.</p> <p>8 A. Yes.</p> <p>9 Q. What reason is that?</p> <p>10 A. None of this was a new problem. We knew we had issues in accounts receivable that predate September 20th.</p> <p>13 I don't want to keep harping on past statute and PATCOM and accounts at gross and different issues, but we knew they were there.</p> <p>17 How much? It was secondary to we weren't doing a good job at billing and collecting cash.</p> <p>20 So the 17 million or 17 and a half, or whatever adjustments were posed, were adequate for Mr. Buettner to get comfortable. If he could recharacterize the CRA reserve to a bad debt reserve to help ensure that the reserve was more reasonably stated, fine.</p>

11 (Pages 827 to 830)

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1 That's okay.  
 2 My issue wasn't with the adequacy  
 3 of the reserves other than the fact that  
 4 that -- that might allow us to heighten the  
 5 ineptitude of our PFS&G group because, as I  
 6 said yesterday, I had the dubious distinction  
 7 of dealing with Mr. Deci and cash. Cash is  
 8 king. Today, too, in both of our lives and at  
 9 work, so --  
 10 Q. Now, Bill Buettner isn't shown as  
 11 being copied on Mr. Cancelmi's September 20th,  
 12 1996 memo marked as Exhibit 1683, right?  
 13 A. I don't believe he is.  
 14 Q. Nor is anyone else from Coopers &  
 15 Lybrand shown as getting copies, right?  
 16 A. I assume not. I can look at that  
 17 page.  
 18 No, sir, just Mr. Morrison, Snow  
 19 and Robin Schaffer.  
 20 Q. Who are all AHERF people?  
 21 A. Correct.  
 22 Q. The same is true of Mr.  
 23 Mr. Cancelmi's memo dated September 24th, 1996  
 24 marked as Exhibit 1450, again, neither Mr.  
 25 Buettner nor anybody else from Coopers &

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1 Lybrand about this series of memos from  
 2 Mr. Cancelmi?  
 3 A. No, not that I recall.  
 4 Q. Even though you felt in your mind  
 5 that the series of memos from Dan Cancelmi cast  
 6 doubt on the adequacy of the bad debt reserves  
 7 at June 30th, 1996?  
 8 A. Yes.  
 9 MR. RYAN: Why don't we take a  
 10 break.  
 11 THE VIDEOGRAPHER: Going off the  
 12 record at 11:22.  
 13 (Recess had.)  
 14 THE VIDEOGRAPHER: Going back on  
 15 the record at 11:32.  
 16 Q. Mr. Spargo, if you wouldn't mind  
 17 keeping out Exhibit 122, which was the  
 18 handwritten schedule, 17 and a half million  
 19 dollars in adjustments.  
 20 A. Okay.  
 21 Q. And looking at that in conjunction  
 22 with some pages from Exhibit 10.  
 23 A. Okay.  
 24 Q. If we could start with the page  
 25 with the Bates number ending in 1363.

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1 Lybrand is shown as being copied, right?  
 2 A. Correct.  
 3 Q. Do you recall providing  
 4 Mr. Buettner a copy of Mr. Cancelmi's September  
 5 20th memo?  
 6 A. No, I don't recall.  
 7 Q. Do you recall providing a copy of  
 8 that memo to anyone at Coopers & Lybrand?  
 9 A. No.  
 10 Q. Do you recall providing  
 11 Mr. Buettner a copy of Mr. Cancelmi's September  
 12 24th memo?  
 13 A. No.  
 14 Q. Do you recall providing that memo  
 15 to anyone at Coopers & Lybrand?  
 16 A. No.  
 17 Q. I think we saw yesterday that the  
 18 management representation letter that you and  
 19 others in management at AHERF signed and  
 20 returned to Coopers & Lybrand was dated  
 21 September 20th, 1996, right?  
 22 A. Correct.  
 23 Q. When you signed that management  
 24 representation letter and provided it to  
 25 Coopers & Lybrand, did you tell Coopers &

Page 832

1 A. Okay.  
 2 Q. Do you see down on the second half  
 3 of this page there's a listing of certain CRA  
 4 reserves and capitalized interest and PP&E  
 5 reserves and then a notation in the margin,  
 6 adjustments to June 1996?  
 7 A. I see that, yes.  
 8 Q. And the reserves look fairly  
 9 similar to the list of reserves in Exhibit 122?  
 10 MR. JONES: Object to form.  
 11 A. They look darn near identical.  
 12 Q. And then up at the top of Bates  
 13 page 1363 in Exhibit 10 is a notation  
 14 apparently next to some CRA reserves that  
 15 reads, "Joe wants to switch these." Do you see  
 16 that?  
 17 MR. JONES: Object to form.  
 18 A. I do.  
 19 Q. Do you recognize the handwriting on  
 20 this page?  
 21 A. Yes, that's Dan Cancelmi's  
 22 handwriting, I believe.  
 23 Q. Let me show you one other page here  
 24 in this exhibit. It's 1368. It's a page  
 25 headed CRA entries, June 30th, 1996.

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12 (Pages 831 to 834)

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<p style="text-align: right;">Page 923</p> <p>1    were appropriate might well change?      2        MR. RYAN: Objection.      3        Q. Is that fair to say?      4        A. It might well change?      5        Q. If you had the underlying data,      6    potentially your view of the appropriateness of      7    these actual reserves at establishment might      8    change?      9        A. Potentially, yes.      10      MR. RYAN: Same objection.      11      A. Potentially, yes.      12      Q. In other words, you didn't have      13    enough information in front of you today given      14    that the events are several years in the past      15    to really pass judgment on the appropriate --      16    appropriateness of the amounts of reserves at      17    establishment?      18      MR. RYAN: Objection.      19      A. That's correct.      20      Q. Indeed, Mr. Spargo, you've been      21    shown over the course of the last two days of      22    your testimony several multi-page documents,      23    the entirety of which you did not have the      24    opportunity to review, is that right?      25      A. Oh, yes. Yes, definitely.</p>	<p style="text-align: right;">Page 925</p> <p>1        A. That's accurate.      2        Q. Mr. Spargo, I'm not going to ask      3    you to try to recall the entirety of      4    conversations you had a few years ago now with      5    Mr. Buettner at the time, at or about the time      6    of the closing of the fiscal year 1996 audit      7    work.      8        However, you were asked some      9    questions about that this morning by Mr. Ryan.      10      I think you said you could not recall with      11    certainty that you told Mr. Buettner that the      12    bad debt reserve at DVOG was understated during      13    those conversations, but you did say that you      14    recalled informing him that there were serious      15    problems, that there was junk, I think was the      16    word you used, in the accounts.      17        Do you recall that testimony?      18      A. Yes, I do.      19      Q. Among other things?      20      A. Yes, yes.      21      Q. Is it fair to say that your best      22    recollection today is that you conveyed      23    information to Mr. Buettner in those      24    conversations that you thought was sufficient      25    to inform him that the bad debt reserve at DVOG</p>
<p style="text-align: right;">Page 924</p> <p>1        Q. In fact, you know from your      2    business experience and common sense that      3    sometimes your view of the content of a      4    document might change if the opportunity to      5    review it in full was given to you; is that      6    fair to say?      7        A. Oh, yes. Yes.      8        Q. For instance, you didn't review      9    every line item in the two SUDs, Coopers &amp;      10   Lybrand's SUDs that you were given this      11   morning, did you?      12        A. I did not.      13        Q. Or yesterday morning?      14        A. No, I did not.      15        Q. You don't feel qualified as you sit      16   here today to pass judgment as an accountant on      17   the appropriateness of any of those SUD      18   entries; is that also fair to say?      19      MR. RYAN: Objection.      20      A. Yes, it is.      21      Q. You don't consider yourself today      22   and didn't in fiscal years '95, '96 and '97 an      23   expert on the nuances, subtleties or even the      24   general rules that apply to Coopers &amp; Lybrand's      25   SUDs; is that accurate?</p>	<p style="text-align: right;">Page 926</p> <p>1        was understated at year-end fiscal year 1996?      2        MR. RYAN: Objection.      3        A. Yes.      4        Q. Is there any doubt in your mind      5    that he understood that based on the      6    information conveyed to him by you?      7        MR. RYAN: Objection.      8        A. Not a speck.      9        Q. Not a --      10       A. Not a speck of doubt, no.      11       Q. Thank you.      12       Mr. Spargo, you were shown a series      13   of management representation letters by      14   Mr. Ryan over the last couple of days.      15       Do you recall that testimony?      16       A. I do.      17       Q. You were also shown I think as      18   perhaps the last one the management      19   representation letter that coincided with the      20   fiscal year 1996 audit.      21       Do you recall that?      22       A. I do.      23       Q. You were asked to review it and      24   tell Mr. Ryan things that came to your mind      25   that you believed to be untrue.</p>

35 (Pages 923 to 926)

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1        Do you recall that?  
 2        A. Yeah. Not in accordance with GAAP  
 3 I think may have been the question.  
 4        Q. You recited certain things that you  
 5 did indeed believe to be inaccurate. Is that  
 6 fair to say?  
 7        A. Yes.  
 8        Q. Is it also fair to say that you  
 9 have not had the benefit over the last few days  
 10 to review all of your testimony either in SEC  
 11 proceedings or in this case to help you -- help  
 12 refresh your recollection with respect to what  
 13 you might find inaccurate in that  
 14 representation letter today, is that right?  
 15        A. Yes, that is correct, yes.  
 16        Q. Indeed there may be more there that  
 17 you might find inaccurate had you had such an  
 18 opportunity?  
 19        A. There indeed may be more, yes.  
 20        Q. Is it also accurate -- strike that.  
 21           Is there any doubt in your mind  
 22 that Coopers & Lybrand knew about the  
 23 inaccuracies that you did happen to point out  
 24 today -- or yesterday in your testimony with  
 25 Mr. Ryan in regard to the management

Page 927

1        Q. You were asked a question about a  
 2 particular paragraph in that September 20, 1996  
 3 management representation letter relating to  
 4 accounts receivable and whether or not they had  
 5 been reduced to their net realizable value.  
 6        Do you recall that testimony?  
 7        A. I do.  
 8        Q. In that testimony, you used the  
 9 phrase that at some point the ball was then in  
 10 somebody else's court.  
 11        To whom did you refer when you used  
 12 that metaphor, if you can recall?  
 13        A. I don't know. I assume Coopers,  
 14 but I don't know.  
 15        Q. I'm going to ask you to look at the  
 16 audited financial statements for the fiscal  
 17 year 1996, briefly, and I think you'll find  
 18 them at Exhibit 1228.  
 19           Exhibit 1228.  
 20        A. Oh, boy.  
 21        Q. I'm going to just briefly ask you  
 22 to turn to the Bates stamped page 1578, which  
 23 is the consolidated balance sheet. 78 is the  
 24 balance sheet?  
 25        A. Yes.

Page 929

1 representation letter for fiscal year 1996 --  
 2           MR. RYAN: Objection.  
 3        Q. -- that they knew the underlying  
 4 facts?  
 5           MR. RYAN: Objection.  
 6        A. Oh, yes, they knew, sure.  
 7        Q. They knew those facts from  
 8 conversations with you and your staff?  
 9           MR. RYAN: Objection.  
 10        A. Yes, yes.  
 11        Q. And through documents provided to  
 12 them?  
 13           MR. RYAN: Objection.  
 14        A. Absolutely.  
 15        Q. And from access to other  
 16 information, electronic and otherwise?  
 17           MR. RYAN: Objection.  
 18        A. Yes.  
 19        Q. Telling them what they already knew  
 20 to you would seem unnecessary; is that fair to  
 21 say?  
 22           MR. RYAN: Objection.  
 23        A. Well, yeah. They already knew it.  
 24        Q. And you believed they did?  
 25        A. I know they did.

Page 928

1        Q. You were asked about a million and  
 2 a half dollar figure regarding cash  
 3 equivalents. Do you recall that?  
 4        A. I do.  
 5        Q. We've heard testimony in this case  
 6 from others about the fact that there may be a  
 7 reason not to have a lot of cash on hand during  
 8 the market environment, that is the securities  
 9 market environment that prevailed in the mid  
 10 1990s, and that being invested was a preferred  
 11 way to hold sums.  
 12        Do you recall that being a strategy  
 13 at AHERF and other hospitals at the time?  
 14        A. Yes.  
 15        MR. RYAN: Objection to the  
 16 introduction.  
 17        A. Yes, especially if you have a line  
 18 of credit available to you.  
 19        Q. The reason you say that is why?  
 20        A. Many times the cash you show is  
 21 actually zero and your operating line of credit  
 22 provides the cash to meet your day-to-day  
 23 disbursement needs.  
 24        Q. So you could keep your money,  
 25 invest it in earning, interest, dividends, or

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36 (Pages 927 to 930)

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<p>1   objection                 939    15 2   object                  940    9 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25</p>	<p style="text-align: right;">Page 951</p> <p>1                             AFFIDAVIT 2   The State of Ohio,    ) 3                             ) SS: 4   County of Cuyahoga   ) 5 6 7 8      Before me, a Notary Public in and for 9    said County and State, personally appeared 10     STEPHEN H. SPARGO, who acknowledged that he/she 11    did read his/her transcript in the 12    above-captioned matter, listed any necessary 13    corrections on the accompanying errata sheet, 14    and did sign the foregoing sworn statement and 15    that the same is his/her free act and deed. 16      In the TESTIMONY WHEREOF, I have hereunto 17    affixed my name and official seal at this 18    day of                     A.D 2003. 19 20 21 22                             Notary Public 23 24 25                             My Commission Expires:</p>
<p>1                             SIGNATURE OF WITNESS 2 3 4 5 6      The deposition of STEPHEN H. 7    SPARGO, taken in the matter, on the date, and 8    at the time and place set out on the title page 9    hereof. 10     It was requested that the 11    deposition be taken by the reporter and that 12    same be reduced to typewritten form. 13     It was agreed by and between 14    counsel and the parties that the Deponent will 15    read and sign the transcript of said 16    deposition. 17 18 19 20 21 22 23 24 25</p>	<p style="text-align: right;">Page 952</p> <p>1                             DEPOSITION ERRATA SHEET 2 3   RE:     OFFICIAL COMMITTEE OF UNSECURED 4   CREDITORS, ETC.   VS. 5   PRICEWATERHOUSECOOPERS, LLP 6   RRS File No.:    7472 7   Deponent:     STEPHEN H. SPARGO 8   Deposition Date: NOVEMBER 5, 2003 9 10   To the Reporter: 11   I have read the entire transcript of my 12   Deposition taken in the captioned matter or the 13   same has been read to me. I request that the 14   following changes be entered upon the record 15   for the reasons indicated. I have signed my 16   name to the Errata Sheet and the appropriate 17   Certificate and authorize you to attach both to 18   the original transcript. 19 20 21 22 23 24 25</p>

42 (Pages 951 to 954)

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**Spielvogel Dep.**

**In The Matter Of:**

**AHERF v.  
PRICEWATERHOUSECOOPERS, LLP**

---

**RICHARD L. SPIELVOGEL, M.D.,**  
*May 19, 2004*

---

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**SPIELVOGEL, M.D., RICHARD L.**

